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THE DIRECTOR OF
CENTRAL INTELLIGENCE

National Intelligence Council

4 December 1985

NOTE FOR: DCI
DDCI

FROM: Robert D. Vickers, Jr.
NIO/LA

Attached is the Nicaragua briefing outline that I used yesterday with the House Foreign Affairs Committee. I believe that with some modifications and update, it would be suitable for use as an overview for the NSC meeting now scheduled for early January.



Robert D. Vickers

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3 December 1985

CONGRESSIONAL BRIEFING ON THE SITUATION IN NICARAGUAIntroduction

Congressmen, we intend to give you an overview of the current situation in Nicaragua, following which we will be happy to respond to specific questions.

Over the past six months or so, the Sandinista regime has come under growing internal pressure as a result of the unraveling economy, growing opposition from domestic groups, and increased insurgent activity.

- Considering compromise a sign of weakness, the Sandinistas have adopted a hard line intended to demonstrate their determination to weather any challenge and to consolidate their power.
- In our view, this inflexibility almost certainly will intensify domestic resistance to the regime and contribute to Managua's eroding international image.
- Unless this results in more forceful actions against the Sandinistas, however, the outcome may nevertheless be the eventual consolidation of a Marxist-Leninist regime in Nicaragua.

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25X1Internal Problems

We have considerable evidence that the Sandinistas believe their internal situation will worsen, in large part because of mounting economic problems.

- Managua spends more than 50 percent of its budget on the military, and the economy is a shambles.
- Since 1979, economic activity has fallen at least 25 percent. Managua is projecting another 3 percent drop in GDP this year and expects no upturn for years to come.
- Per capita income has plunged by more than one third, and inflation may reach 300 percent this year.
 - Government efforts to combat inflation by holding down nonmilitary spending and freezing wages have boosted unemployment and further eroded purchasing power.
- Exports have dropped sharply to less than \$300 million this year and are projected to fall by another \$50 million in 1986.

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The civic opposition, with the Catholic Church hierarchy in the lead, stepped up its activities earlier this year.

-- Cardinal Obando y Bravo, following his elevation in April, assumed a higher profile. He gave a mass for the exile community in Miami, began a series of pastoral visits throughout Nicaragua, and called for negotiations between the regime and the armed opposition.

-- In addition, business leaders began to stage meetings in various cities, and some labor unions called strikes to protest the deterioration of worker incomes.

Finally, the insurgency continues to be a serious problem for the Sandinistas, notwithstanding their public statements to the contrary.

-- The FDN, the largest rebel group, has grown to 18,000 combatants.

• Confined largely to the northwest border area a year ago, the FDN has expanded its operations into 10 of the country's 16 Departments.

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- In recent months, the FDN has been particularly active in central Nicaragua, astride the Rama-Managua road that serves as a crucial artery in the transfer of weaponry from the Soviet Bloc to the Sandinista regime.
- On the Atlantic coast, the Indian resistance -- which dates from the regime's repression and forced relocation of the Miskito Indian population in 1981-82 -- continues harassment actions against the Sandinistas.
- The Indian umbrella organization KISAN, with about 1,000 combatants, relies heavily on donations of supplies from the FDN.
- Eden Pastora's forces have dwindled to some 600 men and have largely been sidelined since the Sandinistas drove them from their base camps in southern Nicaragua during the summer.

Sandinista Response

Managua has responded to the increased pressures by seeking additional economic and military assistance from the Soviet Bloc, cracking down on domestic opponents, and stepping up its counterinsurgency efforts.

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Only a massive increase in financial support from the Soviet Bloc is keeping the economy afloat.

-- Even so, Bloc relief -- about \$280 million in 1984 and some \$400 million this year -- has not been enough to staunch the economic decline.

-- [redacted] meeting with CEMA members in Managua, a renewed Sandinista request for full membership again was rejected. Moreover, the Soviets have told the regime they cannot fill all of Managua's requests for 1986.

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-- The Sandinistas apparently hope the Bloc will come through with more cash to protect its investment. [redacted] the regime believes it will need \$500 million in new funding next year merely to maintain a subsistence standard of living.

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To quell discontent arising from economic deprivation and political repression, the Sandinistas have further restricted personal freedoms.

-- The suspension of civil liberties via an expanded state of emergency in October is the latest in a series of moves giving the regime stronger mechanisms for suppressing dissent.

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-- The Catholic Church, which Managua views as a potential threat, has been the principal target.

- The Sandinistas have confiscated a new Church newspaper, censored its radio broadcasts, occupied its social services offices, and warned foreign-born priests that they will be expelled if they criticized the regime.
- In addition, they have banned Church assemblies and tried to limit attendance at Cardinal Obando y Bravo's sermons.

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-- Managua also has struck at other perceived enemies. The government has:

- Detained and interrogated more than 40 political and business leaders, Protestant ministers, lay workers, opposition press officials, and local employees of the US Embassy.
- Required the independent human rights commission to submit all letters and reports for censorship.

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- Tightened censorship of the independent newspaper La Prensa and barred its journalists from government meetings.
- Cancelled the radio program of a small opposition party that has participated in the National Assembly.
- In general, the Sandinistas portray their critics as traitors and cite "US aggression" as the rationale for their suspension of civil liberties.

On the military front, Managua has relied heavily on the Soviets and Cubans for assistance in fighting the war.

-- [redacted] some 2,500 to 3,000 Cuban military advisers and technicians are still in Nicaragua, and some are directly involved in combat operations.

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● [redacted] there are Cuban advisers in Nicaraguan uniforms fighting in each of the 13 new counterinsurgency battalions.

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● The new Sandinista reserve and militia system is patterned on the Cuban model, and the Cubans probably advised Managua to reinstitute the unpopular system of military conscription.

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- Cubans are piloting some of the MI-8 and MI-25 helicopters that are being used increasingly for combat operations.
- At least 50 Cubans, including several pilots, were killed in combat last year alone. Some Sandinista and Cuban casualties are flown to Cuba for medical care and recovery.

-- Meanwhile, Moscow appears to have stepped up military deliveries to Nicaragua in recent months.

- Three Nicaraguan ships have visited the Cuban port of Mariel during the past two months to pick up war materiel recently delivered from the USSR.
- [redacted] some of the ships at Mariel at the same time as the Soviet arms carriers.
- The Nicaraguan ships subsequently delivered the arms to El Bluff under tight security conditions.
- [redacted] these deliveries, most of which appears to be small arms and ammunition for the counterinsurgency effort.

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Outlook

The desire to project a favorable image to the West seems less and less a constraint on Sandinista actions, as evidenced by President Ortega's announcement of the expanded state of emergency just prior to his appearance at the United Nations.

At home, the worsening economic situation, the regime's restrictions on personal freedoms, and the costs of the war will continue to erode popular support for the Sandinistas.

- Managua appears determined, however, to brook no dissent from its policies, and we believe the hard line will continue in force.
- In particular, the Sandinistas still appear unlikely to heed calls for a negotiated settlement with the armed opposition.

Summary

In summary, we believe that the Sandinistas are currently willing to run the risk that their current hardline policy toward their opponents will eventually succeed despite some short term loss of Western and other international support.

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- The Sandinistas are gambling that with sufficient Soviet Bloc military and economic aid, they can eventually defeat the armed opposition while preventing the political opposition from gaining strength.

- They are also attempting to show their neighbors that despite increasing pressures, they will not compromise, and that the only long-term solution is for these neighbors to accommodate themselves to a Sandinista regime in Nicaragua.

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